

Department: Liquor Control

**Contribution to Montgomery County Results:**

Safe Streets and Secure Neighborhoods

Healthy and Sustainable Communities

A Responsive and Accountable County Government

A Strong and Vibrant Economy

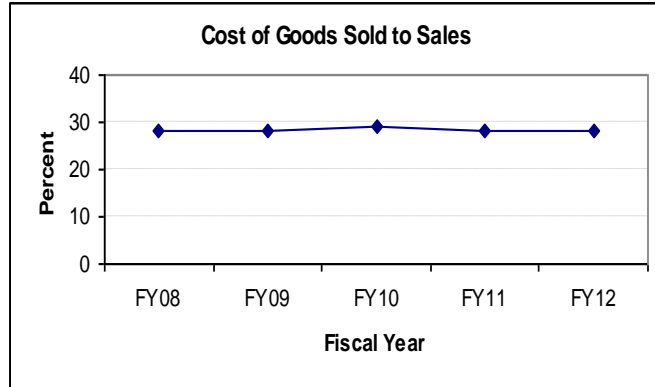
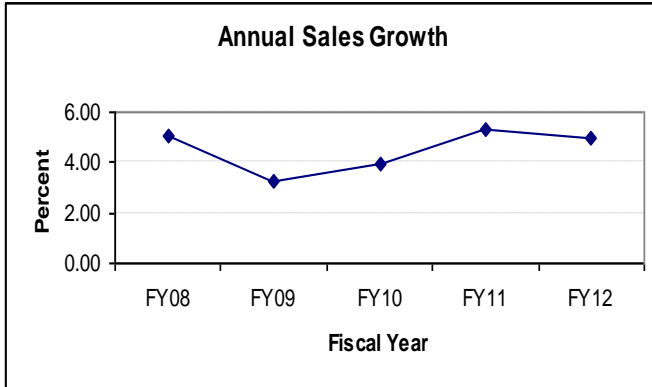
<b>What DLC Does and for Whom</b>	<b>How Much</b>
<b>Overall:</b> The Department of Liquor Control provides a wide selection of products at competitive prices to the citizens of Montgomery County while promoting moderation and responsible consumption of the products offered for sale.	<ul style="list-style-type: none"><li>• \$42,520,100</li><li>• 306 Positions (includes 58 part time positions)</li><li>• 312.9 WYs</li></ul>
Licensing, wholesale and retailing of beverage products:  Provide wholesaling distribution services to 900 licenses and twenty five county owned retail stores supporting a business operation with annual sales of almost \$200 million.  Provide customer service via twenty-five retail stores to our citizens numbering almost one million over a geographic area of approximately 500 miles.	<ul style="list-style-type: none"><li>• \$13,233,870</li><li>• 135.50 WYs.</li><li>• \$17,399,720</li><li>• 143.0 WYs.</li></ul>
Provide licensure, education and training services to our licensees and promote moderation and responsible behavior.  • The Division of Licensure,	<ul style="list-style-type: none"><li>• \$1,232,210</li><li>• 12.3 WYs.</li></ul>

<p>Regulation and Education staffed with fourteen positions (including nine inspectors) is responsible for issuing beverage alcohol licenses; inspecting and investigating licensed facilities to ensure compliance with all applicable laws, rules and regulations; and serving as support staff and providing expert witness to the Board of License Commissioners.</p> <ul style="list-style-type: none"> <li>• The Division performs regular compliance operations of retail establishments to ensure that tobacco products are not sold to minors. The division utilizes minors, in a supervised environment, to test the compliance of retail establishments which are required to review appropriate identification to avoid sale of tobacco products to minors. The goal of the Division is to reduce the failure rate through inspections and education.</li> <li>• The Division performs regular compliance operations of retail establishments to ensure that alcohol products have been purchased from Montgomery County as required by law; products available for sale are consistent with the type of license issued to the retail establishment and the ratio</li> </ul>	
--	--

of alcohol sales to food sales is consistent to established guidelines. The goal of the Division is to reduce the failure rate through inspections and education.	
---	--

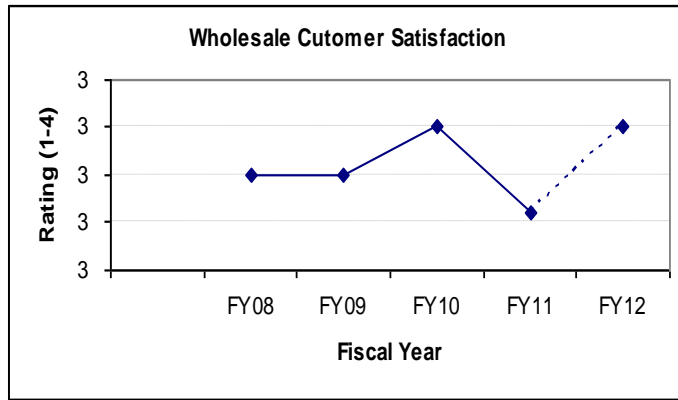
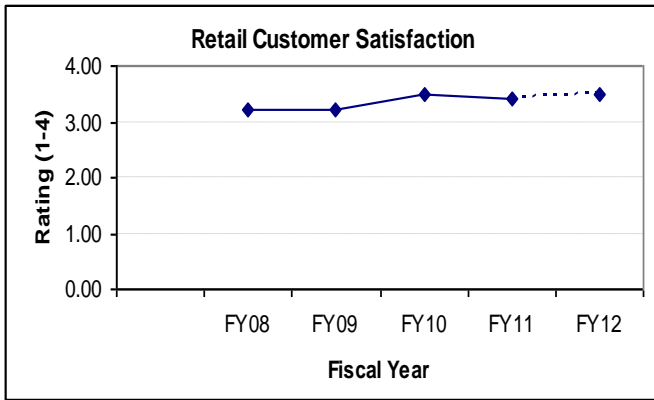
**Performance:**

**Fiscal measures:**

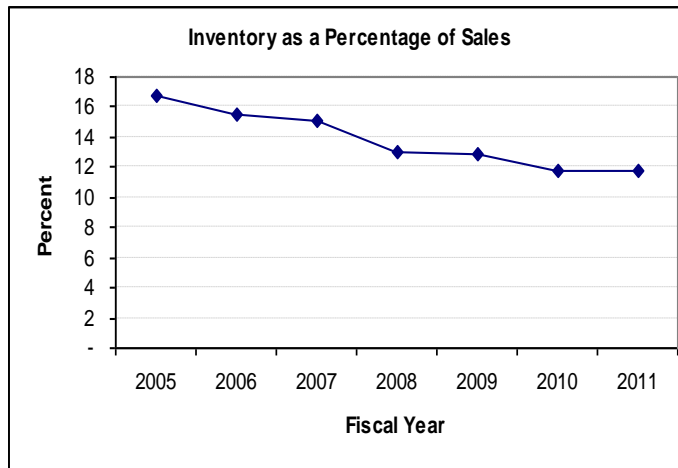
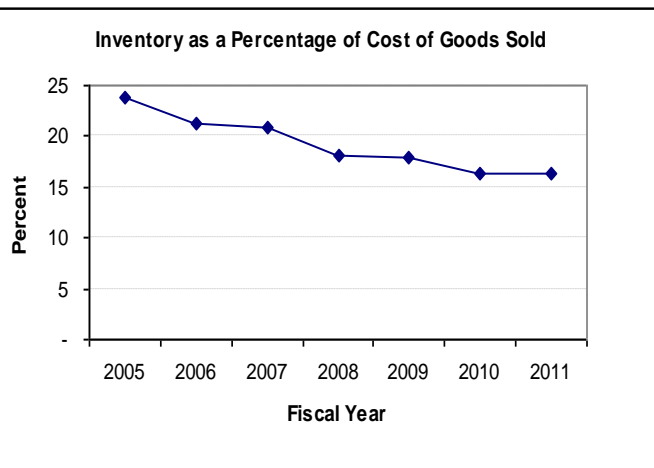


**Cost of goods sold to sales is a measure of the gross profit margin from each dollar of sale.**

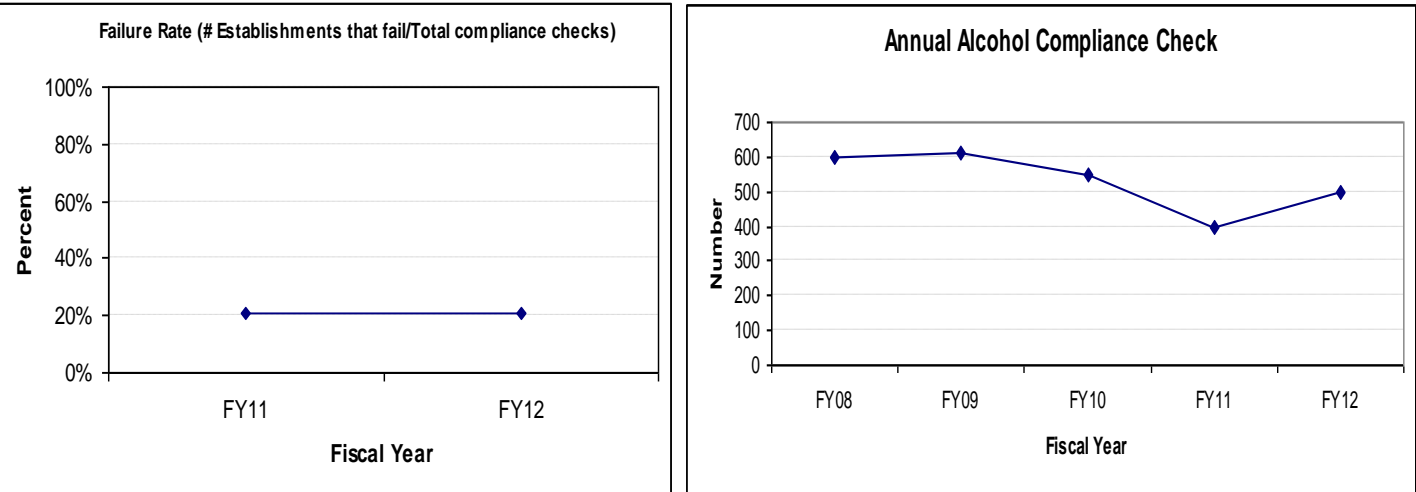
**Operational measures:**



**Customer satisfaction reflects the percent of responses that rated the overall service level of the wholesale and retail division's as satisfactory and above.**



## Licensure Regulation and Education measures:



## The Story Behind the Performance:

### Fiscal Measures:

### Sales Growth

#### Contributing Factors:

- High level of customer service satisfaction in its retail stores and wholesale delivery operations.
- Competitive prices offered to its customers.
- Adequate number of County retail stores to serve the County population.

#### Restricting Factors:

- An overall national trend that indicates flattening beer and liquor consumption.
- A limited advertising strategy that is a reflection of the County's role in this business operation.

## **Cost of Goods Sold to Sales (Gross Profit Margin)**

The Department's goal is to maintain a gross profit margin (cost of goods sold to sales) of twenty eight percent. A gross profit margin of twenty-eight percent will ensure that the Department meets its cost of operations and transfers a pre-determined amount of profit to the general fund. The Department and the Office of Management and Budget jointly establish a profit transfer goal to the general fund.

### **Contributing Factors:**

- Good management of product selection and inventory control. The Department ensures that new products are available to our citizens and inventory is monitored carefully to avoid overstock levels.
- Offering competitive prices by surveying prices in surrounding jurisdictions and crafting the Department's prices to ensure competitiveness.
- Ensuring that the County's retail stores offer a rewarding retail experience with knowledgeable and service-oriented staff. The Department has added more product knowledge training for employees, including a 6-class series on wine basics and customer service. Several retail stores have been renovated so that new floors, checkout counters, and clean, freshly painted walls greet the customer.
- The Department has also achieved numerous productivity enhancements by re-engineering automated processes such as:
  - periodic inventory counts are now performed within twenty four hours versus seventy two hours;
  - automating the manual verification of gallons purchased as required by the State of Maryland for excise tax collections has saved .25 work year;
  - automating the production of the daily sales report has improved timeliness and accuracy and saved several hours of staff time each day; and
  - automating the product sales report to the State of Maryland has also saved time and improved morale of staff by reducing manual tasks.
- The Department's productivity enhancements have resulted in the reduction of two financial staff positions saving an average of \$110,000. The savings have been utilized to deploy targeted resources to process and track claim receivables which average \$700,000 per month and improve the accuracy of product pricing which in return ensures the achievement of desired margins.

**Restricting Factors:**

- In-house cost escalations such as funding negotiated compensatory expenses, which account for sixty-five percent of operating costs, and other costs such as retail store leases and, utility and transportation costs which are rising well above the five percent increase in sales.

**Operational Measures:**

The Department's goal is to ensure a consistent trend in customer satisfaction for retail and wholesale divisions.

**Contributing Factors:**

- The implementation of the retail store expectation checklist program. Stores are routinely inspected for compliance to established standards and appropriate training is provided to ensure that standards of service are maintained.
- Positive wholesale customer satisfaction is achieved by ensuring that orders are shipped on time and delivery personnel are trained on addressing issues that may arise while a delivery is being performed.

**Restricting Factors:**

A low wholesale survey response rate provides insufficient data for quality decision making. (

- Customers generally do not participate in surveys if they are satisfied and hence surveys may be skewed and participant's response is also impacted by their philosophical view of the County's role in the liquor warehousing and retail business.) see page 9

The Department's goal is to ensure that productivity gains are being realized in inventory management. Inventory as a percentage of cost of goods sold and inventory as a percentage of sales are two measures utilized to monitor efficient levels of inventory.

**Contributing Factors:**

- Focus on product selection and product performance follow up. Careful evaluation of original order size and reorder placements. Periodic review of

slow moving inventory and implementation of a sales strategy to influence levels of inventory on hand. Focus on product placement within retail stores to introduce new items and deplete slow inventory.

### **Restricting Factors:**

- The number of products within each category of alcohol beverage is growing exponentially which in turn generates customer interest and resulting inventory stocking. There is an on going challenge to balance product availability to our licensees and the maintenance of prudent inventory levels. Due to the wholesale monopoly the County enjoys, certain products unique to on- premise licensees must be stocked for their use which leads to higher levels of inventory catering to single customers.

### **Licensure Regulation and Education (LRE) Measures:**

The Department's goal is to enforce state laws and county rules and regulations pertaining to alcoholic beverages. State law delegates the power to regulate and control the sale of alcoholic beverages to the Montgomery County Board of License Commissioners. LRE provides the Board with operational and administrative support. LRE has developed a comprehensive multi agency compliance investigation program. The compliance check program gives retailers full notice of the impending program, and offers assistance and training. The programs goal is to send a clear message to those who consistently ignore their legal responsibility: either follow the example of complying licensees or face stiff penalties.

### **Contributing Factors:**

- Training and education about state law and county rules and regulations is provided to retailers. Resources such as point of sale materials are age identification calendars are distributed to licensees.
- Enforcement of minimum purchase age laws
  - Vigorous use of compliance checks
  - Application of appropriate sanctions to violating merchants
  - Education of merchants regarding techniques and responsibilities
  - Development of community support for enforcement

This strategy has been repeatedly demonstrated to reduce sales of alcohol to minors. \*(Pacific Institute for Research and Evaluation).

### **Restricting Factors:**



- Business owners and their staff bring with them a multitude of cultural attitudes towards alcohol. Some people simply rely on past experiences (i.e. drinking before the age of 21 or drinking past the point of intoxication). One on one intervention is often necessary to bring about change.

The Department's goal is to enforce state laws and county rules and regulations pertaining to tobacco youth access. The department conducts routine compliance checks to test the age verification procedures utilized by retailers. Reducing the failure of compliance checks is a validation that prevention of the sale of tobacco products to minors is being achieved

#### **Contributing Factors:**

- Education and training and appropriate disciplinary action for noncompliance.

#### **Restricting Factors:**

- High turnover of licensee retail staff to include low staffing levels resulting in long checkout lines and low verification checks
- A highly motivated and educated minor clientele who wish to procure such products

#### **What We Propose to Do to Improve Performance**

- In light of the flattening consumption trends, the Department intends to focus its efforts on operational effectiveness such as maintaining an optimum balance between sales, purchases and inventory levels. Maintaining an optimum balance, a balance between situations wherein there is no stock versus too much stock of a particular product, will ensure that the Department will be able to achieve its goal of a twenty-eight percent gross profit margin ratio.
- The Department will continue to emphasize customer service by performing routine inspections of its stores and evaluate stores based on established criteria and providing regular product knowledge seminars to its retail staff. The former Assistant Retail Operations Manager position was divided into two positions (Retail Field Supervisors) so that their job duties could include over 50% of their time spent visiting stores, conducting inspections, and addressing any customer comments or issues. With the adequate workforce, it is possible to address customer, employee, and store concerns in greater detail, and with greater speed, than ever before in the history of the division.

- In order to address the high turnover of retail staff, the Department effective FY 08 will provide a six-week training course in wine knowledge and customer service to all retail merit employees (as well as the Purchasing staff). The class is 18 hours of classroom training taught by Robert Cavanaugh, who holds certifications from the Wine and Spirits Education Trust of London (WSET), and The Court of Master Sommeliers.
- The Department proposes to open two to four additional stores in the next three years. The number of County owned retail stores has not increased proportionate to an increase in the County population and the Upcounty region remains underserved.
- The Department's goal is to enforce state laws and county rules and regulations pertaining to alcoholic beverages. State law delegates the power to regulate and control the sale of alcoholic beverages to the Montgomery County Board of License Commissioners. The Division of Licensure, Regulation and Education in collaboration with the Department of Police Alcohol Unit and in partnership with private businesses seeks to improve the number and quality of inspections performed and increase the knowledge of the licensee with respect to the laws governing the sale of alcohol and tobacco products.
- The Department intends to engage a private consultant to assist in the refinement of the wholesale customer satisfaction survey which has experienced a historically low response.